

Message Text

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44

ACTION EUR-25

INFO OCT-01 NEA-10 ISO-00 EURE-00 NIC-01 SIL-01 LAB-06

OMB-01 CIAE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07

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TO SECSTATE WASHDC 3785 PRIORITY

INFO AMEMBASSY ANKARA

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AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

USMISSION NATO

DIA WASHDC

C O N F I D E N T I A L ROME 3710

DIA FOR A2 AND DI5

E.O. 11652: GDS

TAGS: PINT, IT

SUBJECT: PROSPECTS FOR FIFTH RUMOR GOVERNMENT

REF: ROME 3584

1. THE FIFTH RUMOR GOVERNMENT CONSTITUTED MARCH 14 IS EXPTECTED
TO GAIN PARLIAMENTARY APPROVAL BY THE END OF THE MONTH, THUS
COMPLETING AN EXTREMELY RAPID OPERATION, AS ITALIAN CRISES GO. THE
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GOVERNMENT UNDERSECRETARIES (22 DC, 12 PSI AND 8 PSDI) WILL BE

SWORN IN AFTERNOON OF MARCH 18. RUMOR IS SCHEDULED TO PRESENT HIS PROGRAM TO THE CHAMBER OF DEPUTIES AND SENATE THURSDAY, MARCH 21. A VOTE OF CONFIDENCE IN THE CHAMBER IS EXPECTED MARCH 23 AND IN THE SENATE BY THE END OF THE FOLLOWING WEEK.

2. BECAUSE OF THE DIFFICULT ECONOMIC SITUATION, THE WAY WAS PAVED FOR QUICK RECONSTITUTION OF THE GOVERNMENT BY A DECISION MADE BY DC SECRETARY FANFANI AND OTHER CENTER-LEFT PARTY LEADERS ESSENTIALLY TO "FREEZE" THE EXISTING INTER-PARTY RELATIONSHIPS, TO PERMIT A RAPID PAPERING OVER OF DIFFERENCES. THUS, WHILE THE REPUBLICANS NOW WILL OFFER ONLY EXTERNAL SUPPORT TO THE GOVERNMENT AND THE DC AND PSI HAVE BROADENED REPRESENTATION OF THEIR PARTIES' FACTIONS IN THE NEW GOVERNMENT BY INCLUDING ANDREOTTI (DC) AND MANCINI (PSI), THE COALITION PROGRAM IS NOT EXPECTED TO SHOW DRAMATIC DEPARTURES FROM THAT OF THE FOURTH RUMOR GOVERNMENT.

3. THE NEW GOVERNMENT FACES THE SAME ECONOMIC PROBLEMS AS ITS PREDECESSOR AS WELL AS THE EXPECTED DIVISIVE EFFECTS OF THE STEADILY HEATING UP DIVORCE REFERENDUM CAMPAIGN. BY ASSUMING THE TREASURY MINISTRY FORMERLY HELD BY PRI LEADER LA MALFA, THE CHRISTIAN DEMOCRATS

ARE GOING TO BE UNDER INCREASED PRESSURE TO TAKE A CLEAR ECONOMIC LINE. IT IS LIKELY AND PERHAPS INEVITABLE, HOWEVER, THAT THEY WILL CONTINUE TENACIOUSLY TO STRADDLE THE FENCE ON ECONOMIC POLICY AND COME DOWN FIRMLY ON BOTH SIDES IN FAVOR OF ANTI-INFLATIONARY AND BALANCE OF PAYMENTS MEASURES COUPLED WITH MAINTENANCE OF EMPLOYMENT LEVELS AND SOCIAL INVESTMENTS.

4. SINCE NEITHER THE PROBLEMS NOR THE POLITICAL WILL TO DEAL DECISIVELY WITH THEM HAVE BEEN SUBSTANTIALLY ALTERED BY THE RECENT CRISIS, THERE IS ALREADY TALK ABOUT THE POSSIBILITY OF A NEW "VERIFICA" (POLITICAL STOCK-TAKING) AFTER THE MAY 12 DIVORCE REFERENDUM. MOST POLITICAL LEADERS ARE NOT YET MAKING SUCH PESSIMISTIC ASSESSMENTS IN PUBLIC, BUT PRIVATE STATEMENTS IN MANY CASES REFLECT THIS VIEW. MUCH WILL DEPEND ON THE EVOLUTION OF THE ECONOMIC SITUATION AND ENERGY CRISIS AS WELL AS ON THE ASPERITY OF THE REFERENDUM CAMPAIGN. IF THE GOVERNMENT FAILS TO TAKE EFFECTIVE MEASURES TO CONTROL INFLATION, INCREASED LABOR UNREST IS LIKELY, AND THE COMMUNIST PARTY, ALREADY LAUNCHED ON A POLEMICAL, ANTI-DC REFERENDUM CAMPAIGN, HAS SIGNALLED ITS DECISION TO ADOPT

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A MORE INTRANSIGENT LINE. THIS, IN TURN, WILL FORCE THE SOCIALISTS TO PROTECT THEIR LEFT FLANK AND WILL INCREASE STRAINS WITHIN THE COALITION. WHICHEVER SIDE "WINS" THE DIVORCE REFERENDUM WILL BE TEMPTED TO TAKE A TOUGHER LINE WITHIN THE COALITION, THEREBY MAKING MORE LIKELY THE NEW "VERIFICA" NOW BEING PREDICTED BY SOME OBSERVERS. VOLPE

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